

Paragon Asra Housing Limited: Update on response to Coronavirus

Paragon Treasury Plc's parent company, Paragon Asra Housing Limited ('PA') sets out below its response to the Coronavirus situation and its current expectations in respect of financial performance impacts.

Like all housing associations, PA has been working hard to ensure continuation of essential services in this challenging environment. Our priorities are to do all we can to support and ensure the safety of our residents, our suppliers and our staff, in line with the government guidance. We have implemented relevant aspects of our business continuity plan and we are working closely with stakeholders to maintain our priority services.

A number of measures have been taken since the situation began, including the following:

- Enhanced support to residents facing financial challenges, through our Tenancy Sustainment Team
- Welfare calls to our more vulnerable residents
- Release of additional hardship fund monies to provide targeted support to residents with acute needs
- Appropriate changes to our repairs, maintenance and property health and safety work programmes in accordance with government expectations on provision of essential services only
- Accelerated payment of supplier invoices in order to support their cash flow needs
- Closure of our main offices and mobilisation of full remote working for non-essential staff
- Mothballing of new development schemes on site and deferral of new site acquisitions
- Increased cash reserves as a contingency measure

The national picture continues to change rapidly but PA is well placed to respond to the evolving operating environment.

We have performed cash flow and liquidity tests based on a series of adverse assumptions relating to the ongoing situation. This work has

confirmed PA's ability to withstand the expected short term cash flow shocks, with no threat to loan covenants compliance. Our analysis indicates the following headlines:

- Operating cash flows will be relatively volatile until such time as trading conditions return to a form of normality
- Operating results and adherence to some internal financial golden rules may be adversely affected, but not to the extent that financial viability and loan covenant compliance are under any threat
- Payment of rent is the key risk to operating cash flows, and in the short term PA fully accepts that a number of residents are likely to face challenges in this respect. Our support mechanisms will mitigate threats to rent collection in the longer term
- The overall cash flow impact is expected to be net positive over the next few months, due to deferral of significant levels of new build development spend. This in turn will push back future debt requirements
- We are aware of and will closely monitor potential longer term risks linked to macroeconomic factors, including availability and price of future finance; a possible prolonged period of low rent inflation; and a possible downturn in house prices and associated risk to loan security valuations

As at 27 March 2020 PA had cash holdings of £40m. In addition, PA completed on £185m of new bank loan facilities in March 2020, £35m of which is immediately available for drawing. This adds to the £152m of unutilised and immediately available loan and overdraft facilities already in place, thus further bolstering PA's financial resilience in a turbulent environment.

To conclude, we reiterate that we are absolutely focused on keeping our residents, staff and service delivery partners as safe and secure as possible during these worrying times. This will necessitate some compromise to our previous financial plans but we have moved quickly to put in place a robust alternative scenario which prioritises expenditure in the areas which need it the most.

For further information please contact

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